

COMSTOCK PARK PUBLIC SCHOOLS

Kent County, Michigan



Comprehensive Annual Financial Report

For the year ended
June 30, 2008

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs and Consultants



**COMSTOCK PARK
PUBLIC SCHOOLS**
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended June 30, 2008

COMSTOCK PARK PUBLIC SCHOOLS
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For the year ended June 30, 2008

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

October 16, 2008

The Board of Education
Comstock Park Public Schools

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Comstock Park Public Schools (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Comstock Park Public Schools as of June 30, 2008, and the respective changes in financial position and budgetary comparison for the General Fund thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2008 on our consideration of Comstock Park Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Comstock Park Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS



COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

As management of the Comstock Park Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.



COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis
June 30, 2008

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	2008	2007
Assets		
Current assets	\$ 4,527,990	\$ 4,494,200
Capital assets	29,723,512	30,151,021
Total Assets	34,251,502	34,645,221
Liabilities		
Current liabilities	4,782,258	4,240,266
Long-term liabilities	40,162,758	41,518,079
Total Liabilities	44,945,016	45,758,345
Net Assets		
Invested in capital assets, net of related debt	(10,889,679)	(11,622,421)
Restricted	(90,838)	(90,416)
Unrestricted	287,003	599,713
Total Net Assets	\$ (10,693,514)	\$ (11,113,124)

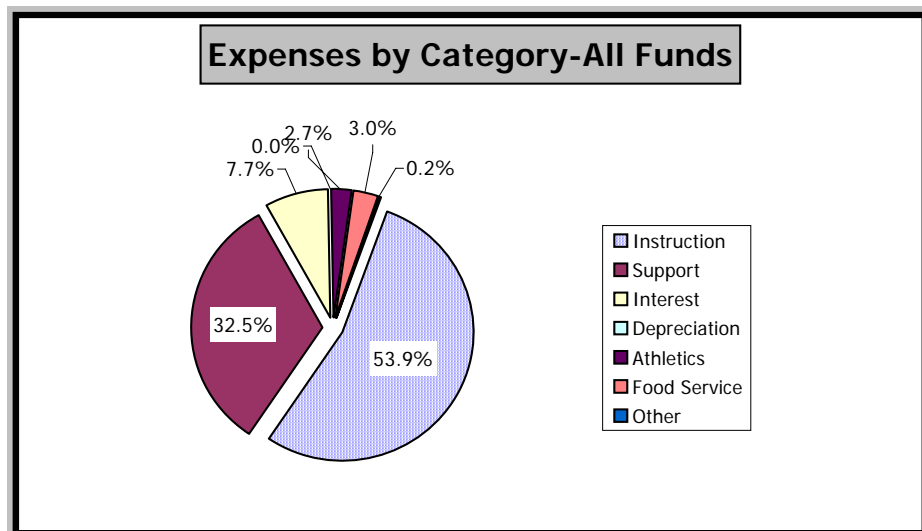


COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis
June 30, 2008

The Statement of Activities presents changes in net assets from operating results:

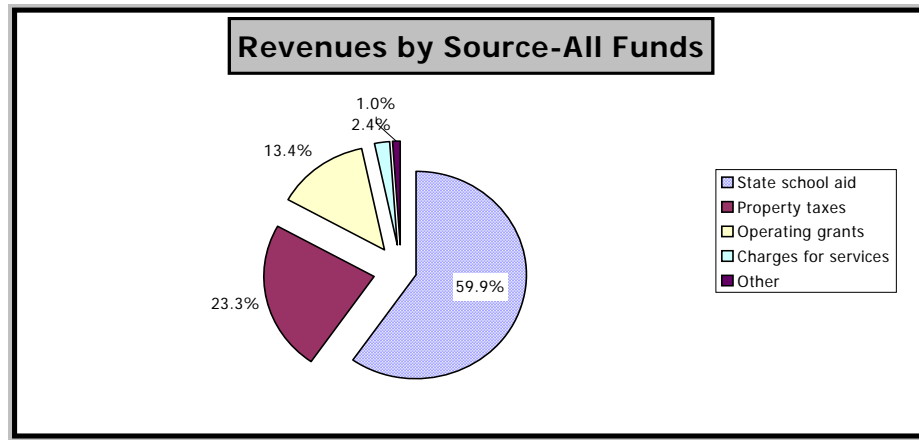
	2008	2007
Program Revenues		
Charges for services	\$ 633,306	\$ 626,860
Operating grants	3,486,654	3,214,593
General Revenues		
Property taxes	6,070,820	5,797,743
State school aid, unrestricted	15,578,193	15,358,315
Interest earnings	65,474	78,128
Other	256,811	136,170
Total Revenues	26,091,258	25,111,809
Expenses		
Instruction	13,836,807	13,811,988
Supporting services	8,330,472	8,058,988
Community services	2,386	2,926
Food service	780,283	695,769
Athletics	686,257	700,345
Other	48,925	48,926
Interest on long-term debt	1,986,518	2,049,281
Total Expenses	25,671,648	25,368,223
Increase (Decrease) in net assets	419,610	(156,414)
Net Assets - Beginning of Year	(11,113,124)	(10,956,710)
Net Assets – End of Year	\$ (10,693,514)	\$ (11,113,124)





COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis
June 30, 2008



Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. Growth during the year in taxes and grants was a significant contributor to the revenue increases. Another factor was the mid-year budget reductions required by the decrease in state school aid funding.

The District's total revenues increased 4 percent to \$26.1 million. Property taxes and state aid accounted for most of the District's revenue, contributing about 83 cents of every dollar raised. Another 13 percent came from state and federal aid for specific programs and the remainder from fees charged for services and miscellaneous sources.

The total cost of all programs and services increased 1 percent to \$25.7 million. The District's expenses are predominantly related to staff salaries and benefits which amount to 85 percent of the total. The District's expenses related to instructing, caring for (pupil services) and transporting students make up 66 percent of total expenses. The District's administrative and business activities accounted for 9 percent of total costs. Operation and maintenance expenses accounted for 8 percent.

Total revenues exceeded expenses on the Statement of Activities by \$419,610 mainly due to the increases in property taxes and State aid, combined with close budget monitoring of expenses.

- The cost of all governmental activities this year was \$25.7 million.
- Some of the cost was financed by the users of the District's programs (\$633,306).
- The federal and state governments subsidized certain programs with grants and contributions (\$3.5 million).
- Most of the District's costs (\$21.5 million), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$6.1 million in property taxes and \$15.6 million of unrestricted state aid based on the statewide education aid formula and investment earnings.



COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

- The District continues to work to reduce costs in many areas through collaboration with other districts, the addition of contracted services, utilization of governmental reimbursement programs where possible and shopping for the best pricing. The administration will push to increase these and other cost saving programs for the next fiscal year. It will be essential in the future that the District continue to try to reduce expenditures and maximize revenues.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, consisting of Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Comstock Park Public School's funds are described as follows:

Major Fund

General Fund

The General Fund is our primary operating fund. The General Fund had total revenues of \$21,612,552, total expenditures of \$21,483,846, other financing sources (transfers in) of \$10,225, and other financing uses (transfers out) of \$467,999. It ended the fiscal year with a fund balance of \$537,591, down from \$866,659 as of June 30, 2007.

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, for the food service and athletics programs. Total revenues were \$941,341, other financing sources (transfers in) were \$467,999, and other financing uses (transfers out) were \$10,225, with total expenditures of \$1,409,977. The ending fund balances were \$22,384 for Food Service and \$16 for the Athletic Fund.



COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis
June 30, 2008

Debt Service Funds

The District operates five Debt Service Funds. Total revenues were \$3,195,359 and other financing sources were \$0. Total expenditures were \$3,201,631, and other financing uses of \$0. Ending fund balances totaled \$89,659.

Capital Projects Fund

There is one Capital Projects Fund incorporated into the financial statements of the District. It is the Building and Site Fund which had revenues of \$389,851 and expenditures of \$374,716. The ending fund balance was \$28,201.

Fiduciary Funds

The Student Activity Fund is operated as an Agency Fund of the District. The assets of these funds are being held for the benefit of the District's students. Balances on hand at June 30, 2008 totaled \$169,522.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget four times. These budget amendments fall into two categories:

- Changes made to account for the final student enrollment that determines the amount of foundation grant to be received through the State School Aid during the fiscal year.
- Final changes made in May for adjustments in appropriations to prevent budget overruns.

Although the District's final budget for the General Fund anticipated that revenues would exceed expenditures by \$64,849, the actual results for the year show an excess of expenditures over revenues of \$329,068.

- Actual revenues were \$78,297 less than expected, mainly from property taxes and interdistrict sources.
- Actual expenditures were \$295,607 higher than final budget amounts, mainly in the areas of added needs, pupil services and transportation expenditures.

State of Michigan, Unrestricted Aid

The State of Michigan aid, unrestricted, is determined by the following variables:

- State of Michigan State Aid Act per student foundation allowance.
- Student Enrollment – blended at 75% of the current year fall count and 25% of the prior year winter count.
- The District's non-homestead property tax levy.



COMSTOCK PARK PUBLIC SCHOOLS

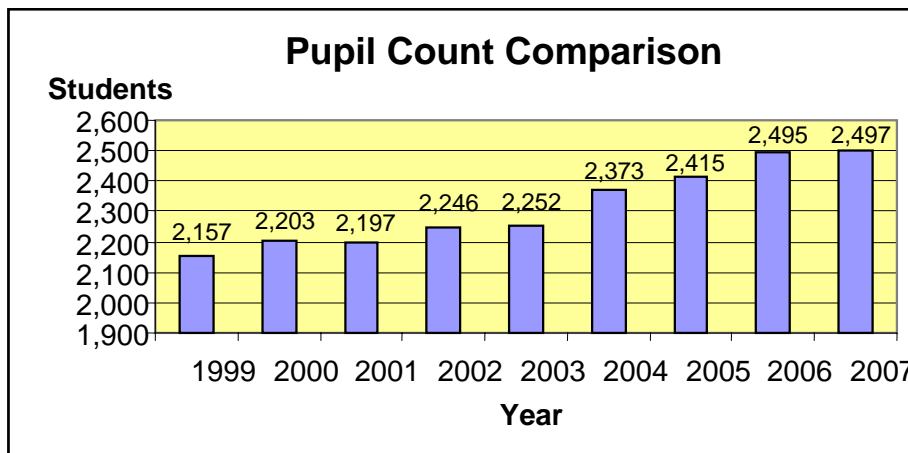
Management's Discussion and Analysis
June 30, 2008

Per Student Foundation Allowance:

- Annually, the State of Michigan sets the per student foundation allowance. The District's foundation allowance for 2007-08 was \$7,219 per student. The foundation allowance for 2008-09 is budgeted at \$7,331 which allows for a slight increase at this time.

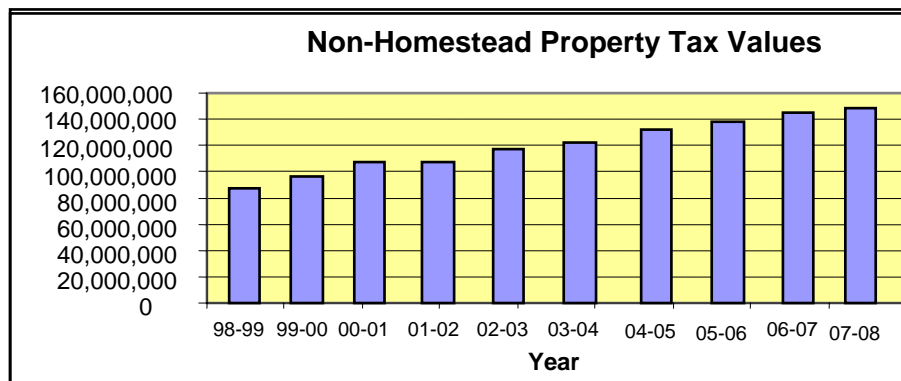
Student Enrollment:

The District's student enrollment for the fall count of 2007-08 was 2,497 students. The District's enrollments have gradually increased in the past five years with a flat or slight increase expected for 2008-09. The following summarizes fall student enrollments:



Non-homestead Levy:

The District levies 18 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties.





COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis
June 30, 2008

Capital Asset and Debt Administration

Capital Assets

By the end of 2008, the District had a \$48.3 million investment in a broad range of capital assets, including land, school buildings, athletic facilities, furniture, computer equipment and software, and administrative offices.

The District's fiscal year 2008-09 budget projects spending approximately \$350,000 for capital projects. This additional funding is mainly due to the Sinking Fund ballot proposal that was passed in May of 2005, enabling the District to complete additional projects.

At June 30, 2008, the District's investment in capital assets (net of accumulated depreciation), was \$29,723,512. Capital asset purchases totaled \$710,578 for the fiscal year with accumulated depreciation increasing \$1,138,087, leaving a net reduction in the book value of capital assets of \$427,509.

Land	\$	640,410
Land improvements		294,916
Buildings		27,316,355
Furniture and equipment		1,126,049
Vehicles		345,782
Net Capital Assets	\$	29,723,512

Long-Term Debt

At year end, the District had \$41.9 million in general obligation bonds and other long-term debt outstanding – a net decrease of \$1.3 million from last year.

- The District continued to pay down its debt, retiring \$1.75 million of outstanding bonds, loans and leases.

The District's bond rating for General Obligation, Unlimited Tax debt remains "Aaa". The District's other obligations include severance pay, early retirement incentive and accumulated sick leave. There is more detailed information about our long-term liabilities in the Notes to the Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- A new three-year labor agreement was approved in June, 2007. The economic package contained in the new contract provides for a 2, 2.15 and 2.5 percent annual increase plus steps for support staff and certified staff. It also provides fully paid MESSA Choices II health insurance or the option of MESSA Super Care I health insurance with a staff co-pay equal to the difference of the package costs. An addition to the health insurance option for this contract is an increase in the employee co-pay to \$10 for generic and \$20 for brand name prescriptions.



COMSTOCK PARK PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

- The elected officials and administration considered many factors when setting the School District's 2008-09 fiscal year budget. One of the critical factors impacting the budget is student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2008-09 fiscal year budget was adopted in June 2008, based on an estimate of students that would be enrolled in September 2008. Approximately 65 percent of total General Fund revenues is received from the foundation allowance. Under State law, a school district cannot access additional property tax revenue for general operations. As a result, funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-09 school year, the anticipated fall student count was over the estimates used in creating the 2008-09 fiscal year budget. Once the final student count and related pupil funding is validated, State law requires a school district to amend the budget and to make adjustments if actual District resources were not sufficient to fund original appropriations.
- Since a school district's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue estimating conference to estimate revenues. Current estimates for the 2008-2009 school year are an increase of \$56 in the foundation allowance and an additional \$56 increase based on the district's ranking in the overall foundation allowances.
- Due to the stagnant economy in the State of Michigan, the 2008-09 fiscal year budget was originally developed with the assumption that flat revenues may be received from the State. Limited staffing changes were enacted in the District to achieve a balanced budget for 2008-09 despite rising costs.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Comstock Park Public Schools, 101 School St. NE, Comstock Park, MI, 49321. Contact by e-mail: jkasul@cppschoools.com.

BASIC FINANCIAL STATEMENTS

COMSTOCK PARK PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 366,686
Taxes receivable (Note C)	86,631
Accounts receivable	6,438
Due from other governmental units (Note C)	3,108,555
Inventory (Note A)	6,733
Prepaid expenses	18,327
Unamortized bond issue costs	934,620
Total Current Assets	<u>4,527,990</u>
Noncurrent Assets	
Capital assets (Note E)	48,311,691
Less accumulated depreciation	(18,588,179)
Total Noncurrent Assets	<u>29,723,512</u>
Total Assets	<u>34,251,502</u>
Liabilities	
Current Liabilities	
Accounts payable	191,948
State aid anticipation loan payable (Note F)	600,000
Due to other governmental units	938,615
Accrued interest payable	242,971
Salaries payable	1,089,587
Deferred revenue	2,980
Current portion of long term obligations	1,716,157
Total Current Liabilities	<u>4,782,258</u>
Noncurrent Liabilities (Notes A, G)	
General obligation bonds payable	28,775,000
Durant nonplaintiff bonds payable	217,087
School bond loan payable	12,555,724
Severance pay	30,800
Early retirement incentive	27,696
Accumulated sick leave	272,608
Current portion of long term obligations	(1,716,157)
Total Noncurrent Liabilities	<u>40,162,758</u>
Total Liabilities	<u>44,945,016</u>
Net Assets	
Invested in capital assets, net of related debt	(10,889,679)
Restricted for:	
Capital outlay	(205,896)
Debt service	115,058
Unrestricted	287,003
Total Net Assets	<u><u>\$ (10,693,514)</u></u>

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 13,836,807	\$ 118,064	\$ 2,748,544	\$(10,970,199)
Supporting services	8,330,472	24,846	288,731	(8,016,895)
Community services	2,386	-	-	(2,386)
Food service	780,283	320,928	449,379	(9,976)
Athletics	686,257	169,468	-	(516,789)
Other	48,925	-	-	(48,925)
Interest on long-term debt	1,986,518	-	-	(1,986,518)
Total Governmental Activities	\$ 25,671,648	\$ 633,306	\$ 3,486,654	(21,551,688)
General Revenues				
Taxes:				
Property taxes, levied for general operations				2,547,915
Property taxes, levied for debt service				3,138,118
Property taxes, levied for building and site				384,787
State school aid, unrestricted				15,578,193
Interest and investment earnings				65,474
Other				256,811
Total General Revenues				21,971,298
Change in Net Assets				419,610
Net Assets - Beginning of Year				(11,113,124)
Net Assets - End of Year				\$(10,693,514)

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Assets			
Cash equivalents, deposits and investments (Note B)	\$ 237,941	\$ 128,745	\$ 366,686
Taxes receivable (Note C)	58,116	28,515	86,631
Accounts receivable	6,438	-	6,438
Due from other governmental units (Note C)	3,103,773	4,782	3,108,555
Inventory (Note A)	-	6,733	6,733
Prepaid expenditures	18,327	-	18,327
Total Assets	<u><u>\$ 3,424,595</u></u>	<u><u>\$ 168,775</u></u>	<u><u>\$ 3,593,370</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 191,948	\$ -	\$ 191,948
State aid loan payable (Note F)	600,000	-	600,000
Due to other governmental units	938,615	-	938,615
Accrued interest payable	5,758	-	5,758
Salaries payable	1,089,587	-	1,089,587
Deferred revenue	61,096	28,515	89,611
Total Liabilities	<u>2,887,004</u>	<u>28,515</u>	<u>2,915,519</u>
Fund Balances			
Reserved for:			
Capital outlay	-	28,201	28,201
Debt service	-	89,659	89,659
Unreserved:			
Undesignated, reported in:			
General fund	537,591	-	537,591
Special revenue funds	-	22,400	22,400
Total Fund Balances	<u>537,591</u>	<u>140,260</u>	<u>677,851</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,424,595</u></u>	<u><u>\$ 168,775</u></u>	<u><u>\$ 3,593,370</u></u>

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008

Total governmental fund balances		\$ 677,851
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$48,311,691 and accumulated depreciation is \$18,588,179.		
		29,723,512
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.		
		934,620
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(28,775,000)	
Durant non-plaintiff bonds	(217,087)	
State school bond loan	(12,555,724)	
Severance pay	(30,800)	
Early retirement incentive	(27,696)	
Accumulated sick leave	(272,608)	(41,878,915)
		<hr/>
Accrued interest is not included as a liability in governmental funds.		(237,213)
Deferred revenue recognized as revenue in the full accrual statements:		
Property taxes		86,631
		<hr/>
Total net assets - governmental activities		<u><u>\$ (10,693,514)</u></u>

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	General	Nonmajor	Total
Revenues			
Local sources	\$ 2,997,084	\$ 4,077,172	\$ 7,074,256
State sources	16,373,597	48,301	16,421,898
Federal sources	907,064	401,078	1,308,142
Interdistrict sources	1,334,807	-	1,334,807
Total Revenues	<u>21,612,552</u>	<u>4,526,551</u>	<u>26,139,103</u>
Expenditures			
Current:			
Instruction	13,026,320	-	13,026,320
Supporting services	8,455,140	-	8,455,140
Community services	2,386	-	2,386
Food service	-	771,406	771,406
Athletics	-	638,571	638,571
Capital outlay	-	374,716	374,716
Debt service:			
Principal repayment	-	1,751,631	1,751,631
Interest and fiscal charges	-	1,450,000	1,450,000
Total Expenditures	<u>21,483,846</u>	<u>4,986,324</u>	<u>26,470,170</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>128,706</u>	<u>(459,773)</u>	<u>(331,067)</u>
Other Financing Sources (Uses)			
Transfers in	10,225	467,999	478,224
Transfers out	(467,999)	(10,225)	(478,224)
Total Other Financing Sources (Uses)	<u>(457,774)</u>	<u>457,774</u>	<u>-</u>
Net Change in Fund Balances	(329,068)	(1,999)	(331,067)
Fund Balances, Beginning of Year	<u>866,659</u>	<u>142,259</u>	<u>1,008,918</u>
Fund Balances, End of Year	<u><u>\$ 537,591</u></u>	<u><u>\$ 140,260</u></u>	<u><u>\$ 677,851</u></u>

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2008

Net change in fund balances - total governmental funds \$ (331,067)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 710,578	
Depreciation expense	<u>(1,138,087)</u>	(427,509)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (47,845)

Net bond refunding costs are amortized over the life of the new bond issue in the Statement of Activities. (48,925)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (543,504)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

Repayment of general obligation bonds	1,751,631	
Repayment of capital leases	<u>1,038</u>	1,752,669

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. 6,985

In the Statement of Net Assets, early retirement incentive, accumulated vacation pay and compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$156,686) exceeded the amounts earned (\$97,881). 58,805

Total changes in net assets - governmental activities \$ 419,610

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 2,989,584	\$ 3,031,749	\$ 2,997,084	\$ (34,665)
State sources	15,830,357	16,375,386	16,373,597	(1,789)
Federal sources	813,622	902,902	907,064	4,162
Interdistrict sources	1,677,919	1,380,812	1,334,807	(46,005)
Total Revenues	21,311,482	21,690,849	21,612,552	(78,297)
Expenditures				
Current:				
Instruction:				
Basic programs	9,757,546	9,949,637	9,934,000	15,637
Added needs	2,691,528	2,975,707	3,092,320	(116,613)
Supporting services:				
Pupil services	637,410	1,596,213	1,657,133	(60,920)
Instructional staff services	541,557	410,714	409,866	848
General administrative services	434,066	455,406	455,947	(541)
School administrative services	1,472,481	1,429,593	1,448,411	(18,818)
Business services	461,364	427,728	438,392	(10,664)
Operation and maintenance services	2,080,659	2,071,102	2,090,957	(19,855)
Pupil transportation services	1,003,163	1,441,899	1,550,425	(108,526)
Central services	399,162	426,693	404,009	22,684
Community services	4,000	3,547	2,386	1,161
Interdistrict	1,229,250	-	-	-
Total Expenditures	20,712,186	21,188,239	21,483,846	(295,607)
Excess Of Revenues Over Expenditures	599,296	502,610	128,706	(373,904)
Other Financing Sources (Uses)				
Transfers in	-	33,000	10,225	(22,775)
Transfers out	(430,485)	(470,761)	(467,999)	2,762
Total Other Financing Sources (Uses)	(430,485)	(437,761)	(457,774)	(20,013)
Net Change in Fund Balances	168,811	64,849	(329,068)	(393,917)
Fund balances, July 1	866,659	866,659	866,659	-
Fund balances, June 30	\$ 1,035,470	\$ 931,508	\$ 537,591	\$ (393,917)

See accompanying notes to basic financial statements.

COMSTOCK PARK PUBLIC SCHOOLS
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Assets

Cash equivalents, deposits and investments (Note B)	<u>\$ 169,522</u>
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Liabilities

Due to student groups	<u>\$ 169,522</u>
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See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note A – Summary of Significant Accounting Policies

Comstock Park Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 2,497 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Comstock Park Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded by a sinking fund millage. For these capital projects, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

deficit. Comstock Park Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Comstock Park Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and improvements	40-50 years
Furniture and equipment	3-10 years
Vehicles	5-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive/Severance Pay/Accumulated Sick Leave and Vacation Pay

Early retirement incentive, severance pay, and accumulated sick leave and vacation pay at June 30, 2008 have been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2008, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive, severance pay, and accumulated sick leave and vacation pay amounted to \$27,696, \$30,800 and \$272,608, respectively.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2008 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:
Governmental activities

366,686

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Fiduciary Funds:
Agency Fund

169,522

\$ 536,208

Cash Equivalents

Depositories actively used by the District during the year are detailed as follows:

1. Huntington National Bank
2. Mercantile Bank

Cash equivalents consist of bank public funds checking and money market accounts.

June 30, 2008 balances are detailed as follows:

Cash equivalents

\$ 536,208

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents were \$536,208, and the bank balance was \$1,489,021. Of the bank balance, \$332,443 was covered by federal depository insurance and \$1,156,588 was uninsured.

Investments

As of June 30, 2008, the District had no surplus funds that are classified as investments under GASB Statement No. 40.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law. Investments in U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100% of the available reserves.

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2007 ad valorem State Education Taxes generated within the Comstock Park Public School District, and paid to the State of Michigan, totaled \$2,275,303.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2007 and September, 2007. The 2007-08 "Foundation Allowance" for Comstock Park Public Schools was \$7,219 for 2,487 "Full Time Equivalent" students, generating \$16,133,171 in state aid payments to the District of which \$2,928,384 was paid to the District in July and August, 2008 and is included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund at June 30, 2008.

Property taxes for the District are levied July 1 (the tax lien date) by the Charter Townships of Alpine and Plainfield and the City of Walker, and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Year	General	Debt Service	Capital Projects	Total
2007	\$ 11,155	\$ 4,375	\$ 535	\$ 16,065
2006	7,502	3,504	428	11,434
2005	39,459	17,520	2,153	59,132
	<u>\$ 58,116</u>	<u>\$ 25,399</u>	<u>\$ 3,116</u>	<u>\$ 86,631</u>

Taxes uncollected after three years from the date of levy, unless material in amount, are written off on the books of the District.

Section 1211(1) of 1993 PA 32 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Comstock Park Public Schools electors had previously (June 10, 1996) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2007.

The District levied 8.162 mills in 2007 for debt service purposes and .9958 mills for building and site purposes, applied on all taxable property in the District.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Transfers

Amounts due from (to) other funds, representing corrections of the allocations of 2006 property tax receipts and year end expenditure reimbursements are detailed as follows:

Interfund transfers are detailed in the following schedule. The General Fund transfer was made to support the athletic program of the District and the Debt Service Fund transfer was made to close out the 1996 Debt Service Fund.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue Funds:		
Food Service Fund	\$ 10,225	\$ —
Athletics Fund	<u>—</u>	<u>467,999</u>
Special Revenue Funds:		
Food Service Fund:		
General Fund	—	10,225
Athletics Fund:		
General Fund	<u>467,999</u>	<u>—</u>
Total All Funds	<u><u>\$ 478,224</u></u>	<u><u>\$ 478,224</u></u>

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balances</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2008</u>
Capital assets not depreciated:				
Land	\$ 640,410	\$ —	\$ —	\$ 640,410
Capital assets being depreciated:				
Land improvements	918,144	—	—	918,144
Buildings and additions	37,981,123	334,848	—	38,315,971
Furniture and equipment	6,975,603	293,721	21,976	7,247,348
Vehicles	1,354,737	82,009	246,928	1,189,818
	<u>47,870,017</u>	<u>\$ 710,578</u>	<u>\$ 268,904</u>	<u>48,311,691</u>
Totals at historical cost				
	47,870,017	\$ 710,578	\$ 268,904	48,311,691
Less accumulated depreciation for:				
Land improvements	526,155	97,073	—	623,228
Buildings and additions	10,170,592	829,024	—	10,999,616
Furniture and equipment	5,944,068	199,207	21,976	6,121,299
Vehicles	1,078,181	12,784	246,928	844,036
	<u>17,718,996</u>	<u>\$ 1,138,087</u>	<u>\$ 268,904</u>	<u>18,588,179</u>
Total accumulated depreciation				
	17,718,996	\$ 1,138,087	\$ 268,904	18,588,179
Net Capital Assets	<u>\$ 30,151,021</u>			<u>\$ 29,723,512</u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 873,482
Supporting services	208,042
Food service	8,877
Athletics	47,686
	<u>\$ 1,138,087</u>

Note F – Short-term Debt

The \$600,000 March 15, 2007 state aid anticipation loan was repaid on October 25, 2007. On March 10, 2008, the District borrowed \$600,000 in anticipation of state aid (interest at 3.29%), due in full on October 21, 2008. Interest expense on the loans was \$14,417 for the fiscal year.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note G – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2008 are summarized as follows:

	Bond Issues	State School Bond Loan	Severance/Early Retirement Incentive/ Sick Leave	Total
Amounts Available For Retirement Of Long-Term Debt				
Debt Service Funds	\$ 89,659	\$ —	\$ —	\$ 89,659
Amounts To Be Provided For Retirement Of Long-Term Debt				
State of Michigan	217,087	—	—	217,087
General Fund	—	—	331,104	331,104
Debt Service Funds	28,685,341	12,555,724	—	41,241,065
Total Amounts Available and To Be Provided	\$28,992,087	\$ 12,555,724	\$ 331,104	\$41,878,915

Changes in long-term debt for the year ended June 30, 2008 are summarized as follows:

	Debt Outstanding July 1, 2007	Debt Added	Debt Retired	Debt Outstanding June 30, 2008
General obligation bonds:				
November 1, 1993	\$ 3,145,000	\$ —	\$ —	\$ 3,145,000
November 1, 1999	530,000	—	265,000	265,000
February 24, 2003	9,040,000	—	880,000	8,160,000
February 24, 2005	17,580,000	—	375,000	17,205,000
Durant non-plaintiff bonds:				
November 13, 1998	217,087	—	—	217,087
State school bond loan	12,243,852	543,504	231,632	12,555,724
Capital leases	1,038	—	1,038	—
Severance pay	31,200	3,800	4,200	30,800
Early retirement incentive	97,854	—	70,158	27,696
Accumulated sick leave	260,855	94,081	82,328	272,608
	\$ 43,146,886	\$ 641,385	\$ 1,909,356	\$ 41,878,915

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Long-term bonds and capital leases outstanding at June 30, 2008 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$19,370M 1993 Building and Site:				
Annual maturities of \$1,005M to \$1,100M	May 1, 2011	7.875	\$ 3,145,000	\$ 1,005,000
\$10,725M 1999 Building and Site:				
Annual maturity of \$265M	May 1, 2009	5.45	265,000	265,000
\$12,320M 2003 Refunding:				
Annual maturities of \$350M to \$1,330M	May 1, 2023	3.00-5.25	8,160,000	—
\$17,955M 2005 Refunding:				
Annual maturities of \$360M to \$1,000M	May 1, 2029	3.125-5.00	17,205,000	360,000
Durant Non-plaintiff Bonds				
\$367,657 1998 School Improvement:				
Annual maturities of \$20,461 to \$129,214	May 15, 2013	4.761353	217,087	20,461
			<u>\$28,992,087</u>	<u>\$1,650,461</u>

The District is required to obtain loans from the Michigan School Bond Loan Fund (the “Fund”) for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, the District paid \$231,632 in principal to the Fund and \$543,504 of accrued interest was added to the District’s liability to the Fund. At June 30, 2008, the District owed the Fund a total of \$12,555,724.

The annual requirements to pay principal and interest on long-term bonds outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 1,650,461	\$ 1,406,763	\$ 3,057,224
2010	1,756,434	1,300,503	3,056,937
2011	1,862,455	1,194,996	3,057,451
2012	1,978,523	1,077,700	3,056,223
2013	2,159,214	1,041,462	3,200,676
2014	2,115,000	916,007	3,031,007
2015	2,200,000	827,358	3,027,358
2016	1,490,000	722,733	2,212,733
2017	1,365,000	651,908	2,016,908
2018	1,365,000	597,031	1,962,031

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Year Ended June 30	Principal	Interest	Total
2019	\$ 1,360,000	\$ 540,787	\$ 1,900,787
2020	1,355,000	474,587	1,829,587
2021	1,355,000	407,725	1,762,725
2022	1,355,000	340,863	1,695,863
2023	1,350,000	273,999	1,623,999
2024	1,000,000	207,375	1,207,375
2025	1,000,000	157,375	1,157,375
2026	1,000,000	107,375	1,107,375
2027	425,000	57,375	482,375
2028	425,000	38,250	463,250
2029	425,000	19,124	444,124
	<u>\$28,992,087</u>	<u>\$12,361,296</u>	<u>\$41,353,383</u>

Note H – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2008 was \$11,279,469. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan-Fixed (MIP-Fixed). Effective January 1, 1990, all new employees are automatically enrolled in the MIP-Graded Plan. Participants in the MIP-Fixed or MIP-Graded Plans receive benefits in addition to those available under the Basic Plan. The contribution rate for MIP-Fixed participants is 3.9% of salary. The contribution rate for MIP-Graded participants is a graduated rate based on total wages: calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. All MIP members may retire at age 46 with 30 years of service; at age 60 with 5 years of service; at age 55 with 15 years of service (with stipulations); at age 60 with 10 years of service (with stipulations); or at age 60 with 5 years of service (with stipulations). Benefits are based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 17.74% for the fiscal year ending September 30, 2007 and 16.72% for the fiscal year beginning October 1, 2007. The District's contributions to the plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,886,605, \$1,985,231, and \$1,718,257, respectively.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPSERS does not make separate measurements of assets and actuarial accrued liability for individual schools, instead using the aggregate actuarial cost method. The actuarial accrued liability at September 30, 2006 (the latest reporting date available expressed as \$ in millions) for retirement benefits for the MPSERS as a whole, determined through an actuarial valuation performed as of that date, was \$49,136. Net assets available for retirement benefits on that date were \$42,995 leaving an unfunded actuarial accrued liability of \$6,141. The total unfunded actuarial accrued liability decreased by \$3,102 from September 30, 2005 to September 30, 2006. At September 30, 2006 the funded ratio of actuarial accrued liability was 87.5%; covered payroll totaled \$9,806, and unfunded actuarial accrued liability was 62.6% of covered payroll.

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above. At September 30, 2006, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole (expressed as \$ in millions) was \$25,387. The MPSERS net assets available for these benefits were \$630 leaving an unfunded actuarial accrued liability of \$24,757. This is the first year of reporting this liability, which is now required to be disclosed in compliance with Governmental Accounting Standards Board (GASB) Statement No. 43. At September 30, 2006 the funded ratio of actuarial liability was 2.5%; covered payroll totaled \$9,806, and unfunded actuarial liability was 252.5% of covered payroll.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2007 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

Note I – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$250,000 and \$1,175,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$69,306 in premiums to the Trust for the year ended June 30, 2008.

COMSTOCK PARK PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$450,000 of any workers' compensation or employers' liability loss out of a \$2,122,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2008, there were no material pending claims against the District. The District paid \$87,952 in premiums to the Fund for the year ended June 30, 2008.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note J – Stewardship, Compliance and Accountability

The following District funds had actual expenditures and transfers out exceed final budgeted expenditures for the year ended June 30, 2008, as follows:

	Budget	Actual	Unfavorable Variance
General Fund			
Instruction:			
Added needs	\$ 2,975,707	\$ 3,092,320	\$ 116,613
Supporting services:			
Pupil services	1,596,213	1,657,133	60,920
General administrative services	455,406	455,947	541
School administrative services	1,429,593	1,448,411	18,818
Business services	427,728	438,392	10,664
Operation and maintenance services	2,071,102	2,090,957	19,855
Pupil transportation services	1,441,899	1,550,425	108,526
Special Revenue Fund			
Food Service	693,372	771,406	78,034

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 237,941	\$ 260,062
Receivables:		
Taxes	58,116	89,701
Accounts	6,438	283
Due from other funds	-	3,452
Due from other governmental units	3,103,773	2,980,609
Prepaid expenditures	<u>18,327</u>	<u>-</u>
Total Assets	<u><u>\$ 3,424,595</u></u>	<u><u>\$ 3,334,107</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 191,948	\$ 474,222
State aid loan payable	600,000	600,000
Due to other funds	-	18,159
Due to other governmental units	938,615	267,986
Accrued interest payable	5,758	5,925
Salaries payable	1,089,587	1,011,455
Deferred revenue	<u>61,096</u>	<u>89,701</u>
Total Liabilities	<u>2,887,004</u>	<u>2,467,448</u>
Fund Balances		
Unreserved:		
Undesignated	<u>537,591</u>	<u>866,659</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,424,595</u></u>	<u><u>\$ 3,334,107</u></u>

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2008 and 2007

	2008	2007
Local sources:		
Property taxes:		
Current property taxes	\$ 2,557,974	\$ 2,428,682
Delinquent property taxes	7,161	7,390
Other property taxes	5,206	2,412
Interest on delinquent taxes	9,159	8,050
	<u>2,579,500</u>	<u>2,446,534</u>
Interest earnings:		
Interest on deposits	17,863	24,510
Other local revenue:		
Tuition	2,075	785
Preschool fees	115,989	103,385
Transportation fees	8,794	9,201
Sale of school property	-	1,422
Rental of school facilities	19,089	18,470
Donations	31,741	14,804
Beverage consortium commissions	66,629	64,527
Reimbursements for services	16,052	8,117
Refunds of prior year expenditures	113,036	22,485
Miscellaneous	26,316	14,462
	<u>399,721</u>	<u>257,658</u>
Total local sources	2,997,084	2,728,702
State sources:		
State aid	16,084,866	15,791,923
Special education - transportation	209,265	249,581
Special education - itinerant reimbursement	79,466	26,369
Total state sources	<u>16,373,597</u>	<u>16,067,873</u>
Federal sources:		
Title I	300,988	258,650
Title IIA	50,193	65,349
Title IID	2,802	2,484
Title III	16,671	-
Title V	506	493
I.D.E.A. program	525,671	481,117
Drug free schools	6,071	5,751
Medicaid - school based	4,162	2,139
Other	-	1,755
Total federal sources	<u>907,064</u>	<u>817,738</u>
Interdistrict sources:		
Special education - county	1,202,624	1,177,185
Durant settlement reimbursements	10,456	10,456
Medicaid fee for service	118,075	113,821
Other	3,652	-
Total interdistrict sources	<u>1,334,807</u>	<u>1,301,462</u>
Total Revenues	<u><u>\$ 21,612,552</u></u>	<u><u>\$ 20,915,775</u></u>

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 2,817,019	\$ 2,836,287
Employee benefits	1,468,970	1,517,332
Purchased services	69,492	66,281
Supplies	151,807	117,603
New equipment and furniture	52,205	55,973
Miscellaneous	930	625
	<u>4,560,423</u>	<u>4,594,101</u>
Middle school:		
Salaries	1,214,861	1,283,502
Employee benefits	659,525	679,931
Purchased services	42,292	43,436
Supplies	62,028	32,404
New equipment and furniture	7,195	45,788
Miscellaneous	-	2,232
	<u>1,985,901</u>	<u>2,087,293</u>
High school:		
Salaries	1,961,115	1,836,371
Employee benefits	971,857	948,756
Purchased services	57,778	58,846
Supplies	119,268	164,693
New equipment and furniture	59,813	119,964
Miscellaneous	3,443	5,262
Payments to other school districts	10,650	-
	<u>3,183,924</u>	<u>3,133,892</u>
Preschool:		
Salaries	136,593	121,729
Employee benefits	55,468	40,050
Purchased services	4,254	2,193
Supplies	7,176	5,306
Miscellaneous	261	85
	<u>203,752</u>	<u>169,363</u>
Total basic programs	9,934,000	9,984,649
Added needs:		
Special education:		
Salaries	1,237,962	1,349,349
Employee benefits	666,634	740,022
Purchased services	26,952	25,566
Supplies	13,425	8,166
Miscellaneous	4,098	282
New equipment and furniture	1,494	-
Payments to other school districts	402,116	173,354
	<u>2,352,681</u>	<u>2,296,739</u>
Compensatory education:		
Salaries	439,313	325,113
Employee benefits	212,173	170,308
Purchased services	18,851	7,273
Supplies	67,184	25,485

(Continued)

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Compensatory education: (Continued)		
New equipment and furniture	\$ -	\$ 24,423
Miscellaneous	-	25,418
	<u>737,521</u>	<u>578,020</u>
Vocational education:		
Supplies	2,118	1,941
Total added needs	<u>3,092,320</u>	<u>2,876,700</u>
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	443,254	423,723
Employee benefits	217,877	210,252
Purchased services	6,316	7,088
Supplies	635	537
New equipment and furniture	8,717	-
Miscellaneous	35	386
	<u>676,834</u>	<u>641,986</u>
Health services:		
Purchased services	41,846	48,166
Supplies	468	4,065
Payments to other school districts	82,297	31,916
	<u>124,611</u>	<u>84,147</u>
Psychological services:		
Salaries	-	1,072
Employee benefits	-	321
Purchased services	118	251
Supplies	585	940
Miscellaneous	-	1,109
Payments to other school districts	113,657	58,144
	<u>114,360</u>	<u>61,837</u>
Speech pathology services:		
Purchased services	1,254	1,732
Supplies	1,518	762
Payments to other school districts	312,499	186,836
	<u>315,271</u>	<u>189,330</u>
Social worker services:		
Salaries	12,540	11,948
Employee benefits	5,441	6,973
Purchased services	313	656
Supplies	62	50
Payments to other school districts	245,764	150,751
	<u>264,120</u>	<u>170,378</u>
Teacher consultants:		
Purchased services	416	394
Supplies	4,596	145
Payments to other school districts	141,167	82,843
	<u>146,179</u>	<u>83,382</u>

(Continued)

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Other pupil services:		
Salaries	\$ 12,636	\$ 16,469
Employee benefits	3,122	4,770
Purchased services	-	2,041
	<u>15,758</u>	<u>23,280</u>
Total pupil services	1,657,133	1,254,340
Instructional staff services:		
Professional staff development:		
Salaries	45,875	47,056
Employee benefits	18,084	16,944
Purchased services	57,008	33,824
Supplies	3,835	1,791
Miscellaneous	678	4,673
Payments to other districts	-	9,498
	<u>125,480</u>	<u>113,786</u>
Library:		
Salaries	61,788	69,863
Employee benefits	26,995	32,716
Purchased services	10,286	7,989
Supplies	6,152	13,340
	<u>105,221</u>	<u>123,908</u>
Supervision/direction of instruction:		
Salaries	124,655	122,275
Employee benefits	53,254	55,004
Purchased services	1,136	3,546
Supplies	(20)	6,245
Miscellaneous	140	80
	<u>179,165</u>	<u>187,150</u>
Total instructional staff services	409,866	424,844
General administrative services:		
Board of education:		
Salaries	1,750	2,623
Employee benefits	588	649
Purchased services	112,745	90,469
Supplies	1,349	4,549
Miscellaneous	9,118	12,585
	<u>125,550</u>	<u>110,875</u>
Executive administration:		
Salaries	196,338	182,203
Employee benefits	104,687	110,234
Purchased services	17,786	16,488
Supplies	4,766	3,770
New equipment and furniture	4,098	1,605
Miscellaneous	2,722	2,531
	<u>330,397</u>	<u>316,831</u>
Total general administrative services	455,947	427,706

(Continued)

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
School administrative services:		
Office of the principal:		
Salaries	\$ 902,597	\$ 960,293
Employee benefits	429,189	458,136
Purchased services	109,885	24,087
Supplies	3,892	6,050
Miscellaneous	2,848	2,916
Payments to other districts	-	4,111
Total school administrative services	1,448,411	1,455,593
Business services:		
Fiscal services:		
Salaries	178,931	173,326
Employee benefits	80,918	84,495
Purchased services	9,332	32,411
Supplies	5,185	9,351
New equipment and furniture	6,845	20,511
Miscellaneous	11,421	2,509
	292,632	322,603
Internal services:		
Salaries	21,690	20,999
Employee benefits	16,905	19,875
Purchased services	34,967	38,480
Supplies	4,231	5,073
Capital outlay	18,000	-
	95,793	84,427
Other business services:		
Purchased services	20,842	30,113
Miscellaneous	29,125	59,078
	49,967	89,191
Total business services	438,392	496,221
Operation and maintenance services:		
Operation and maintenance:		
Salaries	533,446	563,394
Employee benefits	347,592	372,020
Purchased services	649,943	527,168
Supplies	508,017	544,631
New equipment and furniture	50,562	108,594
Miscellaneous	1,397	4,168
Total operation and maintenance services	2,090,957	2,119,975
Pupil transportation services:		
Pupil transportation:		
Salaries	458,794	469,395
Employee benefits	299,828	319,245
Purchased services	40,109	41,478
Supplies	137,514	119,922

(Continued)

COMSTOCK PARK PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Pupil transportation services: (Continued)		
New equipment and furniture	\$ 73,794	\$ 87,699
Miscellaneous	317	673
Payments to other school districts	540,069	352,668
Total pupil transportation services	<u>1,550,425</u>	<u>1,391,080</u>
Central services:		
Staff/personnel services:		
Purchased services	23,441	8,588
Miscellaneous	2,400	875
	<u>25,841</u>	<u>9,463</u>
Technology services:		
Salaries	60,960	42,621
Employee benefits	22,986	16,188
Purchased services	153,537	214,082
Supplies	1,741	106,806
New equipment and furniture	138,844	39,618
Miscellaneous	100	184
	<u>378,168</u>	<u>419,499</u>
Total central services	404,009	428,962
Community services:		
Community recreation:		
Salaries	1,450	1,177
Employee benefits	359	302
Purchased services	350	500
Supplies	187	799
Miscellaneous	40	148
	<u>2,386</u>	<u>2,926</u>
Total community services	2,386	2,926
Total Expenditures	<u><u>\$ 21,483,846</u></u>	<u><u>\$ 20,862,996</u></u>

NONMAJOR FUNDS

COMSTOCK PARK PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2008

	Special Revenue		
	Food Service	Athletics	1993
Assets			
Cash equivalents, deposits and investments	\$ 10,869	\$ 16	\$ 6,111
Taxes receivable	-	-	2,230
Due from other governmental units	4,782	-	-
Inventory	6,733	-	-
Total Assets	<u>\$ 22,384</u>	<u>\$ 16</u>	<u>\$ 8,341</u>
Liabilities and Fund Equity			
Liabilities			
Deferred revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,230</u>
Fund Balances			
Reserved for capital outlay	-	-	-
Reserved for debt service	-	-	6,111
Unreserved:			
Undesignated	<u>22,384</u>	<u>16</u>	<u>-</u>
Total Fund Balances	<u>22,384</u>	<u>16</u>	<u>6,111</u>
Total Liabilities and Fund Balances	<u>\$ 22,384</u>	<u>\$ 16</u>	<u>\$ 8,341</u>

Debt Service			Capital Projects	
1999	2003	2005	Building and Site	Total
\$ 13,502	\$ 36,218	\$ 33,828	\$ 28,201	\$ 128,745
2,420	10,266	10,483	3,116	28,515
-	-	-	-	4,782
-	-	-	-	6,733
<u>\$ 15,922</u>	<u>\$ 46,484</u>	<u>\$ 44,311</u>	<u>\$ 31,317</u>	<u>\$ 168,775</u>
\$ 2,420	\$ 10,266	\$ 10,483	\$ 3,116	\$ 28,515
-	-	-	28,201	28,201
13,502	36,218	33,828	-	89,659
-	-	-	-	22,400
<u>13,502</u>	<u>36,218</u>	<u>33,828</u>	<u>28,201</u>	<u>140,260</u>
<u>\$ 15,922</u>	<u>\$ 46,484</u>	<u>\$ 44,311</u>	<u>\$ 31,317</u>	<u>\$ 168,775</u>

COMSTOCK PARK PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2008

	Special Revenue		
	Food Service	Athletics	1993
Revenues			
Local sources:			
Property taxes	\$ -	\$ -	\$ 248,502
Interest earnings	1,494	72	3,235
Sales and admissions	320,928	169,468	-
Total local sources	322,422	169,540	251,737
State sources	48,301	-	-
Federal sources	401,078	-	-
Total Revenues	771,801	169,540	251,737
Expenditures			
Current:			
Food service	771,406	-	-
Athletics	-	638,571	-
Capital outlay	-	-	-
Debt service:			
Principal repayment	-	-	11,794
Interest and fiscal charges	-	-	247,669
Total Expenditures	771,406	638,571	259,463
Excess (Deficiency) of Revenues Over Expenditures	395	(469,031)	(7,726)
Other Financing Sources (Uses)			
Transfers in	-	467,999	-
Transfers out	(10,225)	-	-
Total Other Financing Sources (Uses)	(10,225)	467,999	-
Net Change in Fund Balances	(9,830)	(1,032)	(7,726)
Fund Balances, July 1	32,214	1,048	13,837
Fund Balances, June 30	\$ 22,384	\$ 16	\$ 6,111

Debt Service			Capital Projects	
1999	2003	2005	Building and Site	Total
\$ 295,266	\$ 1,266,857	\$ 1,343,697	\$ 384,843	\$ 3,539,165
3,843	16,491	17,468	5,008	47,611
-	-	-	-	490,396
299,109	1,283,348	1,361,165	389,851	4,077,172
-	-	-	-	48,301
-	-	-	-	401,078
299,109	1,283,348	1,361,165	389,851	4,526,551
-	-	-	-	771,406
-	-	-	-	638,571
-	-	-	374,716	374,716
265,244	893,951	580,642	-	1,751,631
28,498	383,194	790,639	-	1,450,000
293,742	1,277,145	1,371,281	374,716	4,986,324
5,367	6,203	(10,116)	15,135	(459,773)
-	-	-	-	467,999
-	-	-	-	(10,225)
-	-	-	-	457,774
5,367	6,203	(10,116)	15,135	(1,999)
8,135	30,015	43,944	13,066	142,259
\$ 13,502	\$ 36,218	\$ 33,828	\$ 28,201	\$ 140,260

COMSTOCK PARK PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 329,000	\$ 322,422	\$ (6,578)
State sources	26,300	48,301	22,001
Federal sources	350,000	401,078	51,078
Total Revenues	<u>705,300</u>	<u>771,801</u>	<u>66,501</u>
Expenditures			
Current:			
Food service	<u>693,372</u>	<u>771,406</u>	<u>(78,034)</u>
Excess (Deficiency) of Revenues Over Expenditures	11,928	395	(11,533)
Other Financing Sources			
Transfers out	<u>-</u>	<u>(10,225)</u>	<u>(10,225)</u>
Net Change in Fund Balances	11,928	(9,830)	(21,758)
Fund Balances, July 1	<u>32,214</u>	<u>32,214</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 44,142</u></u>	<u><u>\$ 22,384</u></u>	<u><u>\$ (21,758)</u></u>

COMSTOCK PARK PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 171,824	\$ 169,540	\$ (2,284)
Expenditures			
Current:			
Athletics	641,537	638,571	2,966
Excess (Deficiency) of Revenues Over Expenditures	(469,713)	(469,031)	682
Other Financing Sources			
Transfers in	470,761	467,999	(2,762)
Net Change in Fund Balances	1,048	(1,032)	(2,080)
Fund Balances, July 1	1,048	1,048	-
Fund Balances, June 30	\$ 2,096	\$ 16	\$ (2,080)

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

COMSTOCK PARK PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 10,869	\$ 23,391
Due from other funds	-	10,055
Due from other governmental units	4,782	4,551
Inventory	<u>6,733</u>	<u>5,344</u>
Total Assets	<u><u>\$ 22,384</u></u>	<u><u>\$ 43,341</u></u>
 Liabilities and Fund Balances		
Liabilities		
Due to other funds	\$ -	\$ 3,452
Due to other governmental units	<u>-</u>	<u>7,675</u>
Total Liabilities	<u>-</u>	<u>11,127</u>
Fund Balances		
Unreserved:		
Undesignated	<u>22,384</u>	<u>32,214</u>
Total Liabilities and Fund Balances	<u><u>\$ 22,384</u></u>	<u><u>\$ 43,341</u></u>

COMSTOCK PARK PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	2008	2007
Revenues		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 221,489	\$ 226,141
Adult lunches	7,466	12,920
Milk sales	9,815	8,136
Ala carte	71,607	64,067
Banquets	6,162	4,914
Other	4,389	3,762
	<u>320,928</u>	<u>319,940</u>
Interest earnings:		
Interest on deposits	1,494	1,522
Total local sources	<u>322,422</u>	<u>321,462</u>
State sources	48,301	45,768
Federal sources	<u>401,078</u>	<u>340,067</u>
Total Revenues	<u>771,801</u>	<u>707,297</u>
Expenditures		
Current:		
Food service:		
Salaries	186,014	174,881
Employee benefits	108,299	97,697
Purchased services	62,219	45,447
Supplies	408,351	359,415
Capital outlay	3,172	7,474
Miscellaneous	3,351	1,971
	<u>771,406</u>	<u>686,885</u>
Total Expenditures	<u>771,406</u>	<u>686,885</u>
Excess of Revenues over Expenditures	395	20,412
Other Financing Uses		
Transfers out	<u>(10,225)</u>	<u>-</u>
Net Change in Fund Balances	(9,830)	20,412
Fund Balances, July 1	<u>32,214</u>	<u>11,802</u>
Fund Balances, June 30	<u><u>\$ 22,384</u></u>	<u><u>\$ 32,214</u></u>

COMSTOCK PARK PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 16	\$ 33
Accounts receivable	<u>-</u>	<u>1,015</u>
Total Assets	<u><u>\$ 16</u></u>	<u><u>\$ 1,048</u></u>
 Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Unreserved:		
Undesignated	<u>16</u>	<u>1,048</u>
Total Liabilities and Fund Balances	<u><u>\$ 16</u></u>	<u><u>\$ 1,048</u></u>

COMSTOCK PARK PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	2008	2007
Revenues		
Local sources:		
Sales and admissions:		
Gate receipts	\$ 102,220	\$ 100,841
Sports fees and charges	30,348	29,850
Donations	23,022	49,473
Other	13,878	5,268
	<u>169,468</u>	<u>185,432</u>
Interest earnings:		
Interest on deposits	<u>72</u>	<u>218</u>
Total Revenues	<u>169,540</u>	<u>185,650</u>
Expenditures		
Current:		
Athletics:		
Salaries	340,048	324,020
Employee benefits	106,009	101,913
Purchased services	60,942	53,580
Supplies	60,633	69,304
Capital outlay	13,054	41,768
Miscellaneous	57,885	59,143
	<u>638,571</u>	<u>649,728</u>
Total Expenditures	<u>638,571</u>	<u>649,728</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(469,031)</u>	<u>(464,078)</u>
Other Financing Sources		
Transfers in	<u>467,999</u>	<u>464,051</u>
Net Change in Fund Balances	(1,032)	(27)
Fund Balances, July 1	<u>1,048</u>	<u>1,075</u>
Fund Balances, June 30	<u><u>\$ 16</u></u>	<u><u>\$ 1,048</u></u>

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

COMSTOCK PARK PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2008

	1993	1999	2003	2005
Assets				
Cash equivalents, deposits and investments	\$ 6,111	\$ 13,502	\$ 36,218	\$ 33,828
Taxes receivable	2,230	2,420	10,266	10,483
Due from other funds	-	-	-	-
Total Assets	<u>\$ 8,341</u>	<u>\$ 15,922</u>	<u>\$ 46,484</u>	<u>\$ 44,311</u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred revenue	2,230	2,420	10,266	10,483
Total Liabilities	<u>2,230</u>	<u>2,420</u>	<u>10,266</u>	<u>10,483</u>
Fund Balances				
Reserved for debt service	<u>6,111</u>	<u>13,502</u>	<u>36,218</u>	<u>33,828</u>
Total Liabilities and Fund Balances	<u>\$ 8,341</u>	<u>\$ 15,922</u>	<u>\$ 46,484</u>	<u>\$ 44,311</u>

Totals	
2008	2007
\$ 89,659	\$ 88,984
25,399	41,603
-	10,376
<u>\$ 115,058</u>	<u>\$ 140,963</u>

\$ -	\$ 3,429
25,399	41,603
<u>25,399</u>	<u>45,032</u>
<u>89,659</u>	<u>95,931</u>
<u>\$ 115,058</u>	<u>\$ 140,963</u>

COMSTOCK PARK PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	1993	1999	2003	2005
Revenues				
Local sources:				
Property taxes:				
Current property taxes	\$ 243,485	\$ 289,304	\$ 1,241,281	\$ 1,316,562
Industrial facilities taxes	3,774	4,484	19,239	20,406
Delinquent property taxes	386	459	1,967	2,094
Other taxes	78	93	397	421
Interest on delinquent taxes	779	926	3,973	4,214
	248,502	295,266	1,266,857	1,343,697
Interest earnings:				
Interest on deposits	3,235	3,843	16,491	17,468
Total Revenues	251,737	299,109	1,283,348	1,361,165
Expenditures				
Debt service:				
Principal repayment	11,794	265,244	893,951	580,642
Interest and fiscal charges:				
Interest expense	247,669	28,498	383,194	790,639
Total Expenditures	259,463	293,742	1,277,145	1,371,281
Excess (Deficiency) of Revenues Over Expenditures	(7,726)	5,367	6,203	(10,116)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(7,726)	5,367	6,203	(10,116)
Fund Balances, July 1	13,837	8,135	30,015	43,944
Fund Balances, June 30	\$ 6,111	\$ 13,502	\$ 36,218	\$ 33,828

Totals	
2008	2007
\$ 3,090,632	\$ 2,957,641
47,903	48,920
4,906	2,270
989	4,018
9,892	9,053
3,154,322	3,021,902
41,037	46,216
3,195,359	3,068,118
1,751,631	1,566,200
1,450,000	1,499,792
3,201,631	3,065,992
(6,272)	2,126
-	2,272
-	(2,272)
-	-
(6,272)	2,126
95,931	93,805
\$ 89,659	\$ 95,931

CAPITAL PROJECTS FUND

Building and Site — to account for property tax revenues and interest earnings used to finance building restoration projects.

COMSTOCK PARK PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 28,201	\$ 11,909
Taxes receivable	3,116	3,172
Due from other funds	<u>-</u>	<u>1,157</u>
Total Assets	<u><u>\$ 31,317</u></u>	<u><u>\$ 16,238</u></u>
 Liabilities and Fund Balances		
Liabilities		
Deferred revenue	<u>\$ 3,116</u>	<u>\$ 3,172</u>
Fund Balances		
Reserved for capital outlay	<u>28,201</u>	<u>13,066</u>
Total Liabilities and Fund Balances	<u><u>\$ 31,317</u></u>	<u><u>\$ 16,238</u></u>

COMSTOCK PARK PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Property taxes:		
Current property taxes	\$ 377,080	\$ 362,367
Industrial facilities taxes	5,845	5,994
Delinquent taxes	591	208
Other taxes	121	270
Interest on delinquent taxes	<u>1,206</u>	<u>1,080</u>
	384,843	369,919
Interest earnings:		
Interest on deposits and investments	<u>5,008</u>	<u>5,662</u>
Total Revenues	<u>389,851</u>	<u>375,581</u>
Expenditures		
Capital outlay:		
Buildings and additions	<u>374,716</u>	<u>375,891</u>
Net Change in Fund Balances	15,135	(310)
Fund Balances, July 1	<u>13,066</u>	<u>13,376</u>
Fund Balances, June 30	<u><u>\$ 28,201</u></u>	<u><u>\$ 13,066</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

COMSTOCK PARK PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2008

	<u>Balances</u> <u>July 01, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2008</u>
Assets				
Cash equivalents, deposits and investments	<u>\$ 185,035</u>	<u>\$ 275,265</u>	<u>\$ 290,778</u>	<u>\$ 169,522</u>
Liabilities				
Due to student groups	<u>\$ 185,035</u>	<u>\$ 275,265</u>	<u>\$ 290,778</u>	<u>\$ 169,522</u>

OTHER INFORMATION

COMSTOCK PARK PUBLIC SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	Kent County			
	Townships of		City of	
	Alpine	Plainfield	Walker	Total
Taxable Valuations				
Operating	\$ 62,844,726	\$ 75,156,018	\$ 5,357,123	\$143,357,867
Debt Service	153,955,357	213,129,189	12,132,568	379,217,114
Rates (Mills)				
General Fund				18.0000
1993 Debt Service Fund				0.6430
1999 Debt Service Fund				0.7640
2003 Debt Service Fund				3.2780
2005 Debt Service Fund				3.4770
Building and Site Fund				0.9958
				<u>27.1578</u>
Taxes Levied 2007 Rolls				
General Fund	\$ 1,119,895	\$ 1,352,806	\$ 96,428	\$ 2,569,129
1993 Debt Service Fund	98,991	137,032	7,801	243,824
1999 Debt Service Fund	117,619	162,819	9,269	289,707
2003 Debt Service Fund	504,651	698,588	39,771	1,243,010
2005 Debt Service Fund	535,287	740,998	42,184	1,318,469
Building and Site Fund	153,304	212,219	12,082	377,605
	<u>2,529,747</u>	<u>3,304,462</u>	<u>207,535</u>	<u>6,041,744</u>
Taxes Uncollected 2007 Rolls				
General Fund	1,716	8,578	861	11,155
1993 Debt Service Fund	52	262	31	345
1999 Debt Service Fund	62	310	36	408
2003 Debt Service Fund	266	1,331	157	1,754
2005 Debt Service Fund	289	1,413	166	1,868
Building and Site Fund	83	404	48	535
	<u>2,468</u>	<u>12,298</u>	<u>1,299</u>	<u>16,065</u>
Taxes Collected 2007 Rolls				
General Fund	1,118,179	1,344,228	95,567	2,557,974
1993 Debt Service Fund	98,939	136,770	7,770	243,479
1999 Debt Service Fund	117,557	162,509	9,233	289,299
2003 Debt Service Fund	504,385	697,257	39,614	1,241,256
2005 Debt Service Fund	534,998	739,585	42,018	1,316,601
Building and Site Fund	153,221	211,815	12,034	377,070
	<u>2,527,279</u>	<u>3,292,164</u>	<u>206,236</u>	<u>6,025,679</u>
Delinquent Taxes Collected				
General Fund	771	6,110	280	7,161
1993 Debt Service Fund	26	350	10	386
1999 Debt Service Fund	24	423	12	459
2003 Debt Service Fund	114	1,801	52	1,967
2005 Debt Service Fund	194	1,842	58	2,094
Building and Site Fund	38	537	16	591
	<u>1,167</u>	<u>11,063</u>	<u>428</u>	<u>12,658</u>

(Continued)

COMSTOCK PARK PUBLIC SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	Kent County			Total
	Townships of		City of Walker	
	Alpine	Plainfield		
Total Taxes Collected				
General Fund	1,118,950	1,350,338	95,847	2,565,135
1993 Debt Service Fund	98,965	137,120	7,780	243,865
1999 Debt Service Fund	117,581	162,932	9,245	289,758
2003 Debt Service Fund	504,499	699,058	39,666	1,243,223
2005 Debt Service Fund	535,192	741,427	42,076	1,318,695
Building and Site Fund	153,259	212,352	12,050	377,661
	<u>\$ 2,528,446</u>	<u>\$ 3,303,227</u>	<u>\$ 206,664</u>	<u>\$ 6,038,337</u>
Taxes Uncollected – June 30, 2008				
General Fund:				
2007	\$ 1,716	\$ 8,578	\$ 861	\$ 11,155
2006	58	7,444	-	7,502
2005	-	37,652	1,807	39,459
	<u>1,774</u>	<u>53,674</u>	<u>2,668</u>	<u>58,116</u>
1993 Debt Service Fund:				
2007	52	262	31	345
2006	2	318	-	320
2005	-	1,492	73	1,565
	<u>54</u>	<u>2,072</u>	<u>104</u>	<u>2,230</u>
1999 Debt Service Fund:				
2007	62	310	36	408
2006	5	357	-	362
2005	-	1,572	78	1,650
	<u>67</u>	<u>2,239</u>	<u>114</u>	<u>2,420</u>
2003 Debt Service Fund:				
2007	266	1,331	157	1,754
2006	9	1,434	-	1,443
2005	-	6,738	331	7,069
	<u>275</u>	<u>9,503</u>	<u>488</u>	<u>10,266</u>
2005 Debt Service Fund:				
2007	289	1,413	166	1,868
2006	10	1,369	-	1,379
2005	-	6,904	332	7,236
	<u>299</u>	<u>9,686</u>	<u>498</u>	<u>10,483</u>
Building and Site Fund:				
2007	83	404	48	535
2006	2	426	-	428
2005	-	2,053	100	2,153
	<u>85</u>	<u>2,883</u>	<u>148</u>	<u>3,116</u>
Total Taxes Uncollected	<u>\$ 2,554</u>	<u>\$ 80,057</u>	<u>\$ 4,020</u>	<u>\$ 86,631</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A s A N D C O N S U L T A N T S

October 16, 2008

The Board of Education
Comstock Park Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Comstock Park Public Schools as of and for the year ended June 30, 2008. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in *more than a remote likelihood* that a *material misstatement of the financial statements* will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the knowledge and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, the person responsible for the accounting and reporting function lacks the level of skills and knowledge necessary to apply GAAP and GASB standards in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Comstock Park Public Schools is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Comstock Park Public Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Comstock Park Public School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

- Inadequate *segregation of duties* in the District business office, which leads to a lack of independent monitoring of the accounting functions of the District Business Manager.
- Inadequate design and implementation of *monitoring controls* both inside (general ledger and payroll) and outside (athletics, food service, student activities, preschool) the District business office.

This communication is intended solely for the information and use of management, the Board of Education, others within the organization, and the Michigan Department of Treasury. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Barton, P.C.

Certified Public Accountants

Hungerford, Aldrin, Nichols & Carter, P.C.

CPAs AND CONSULTANTS

October 16, 2008

The Board of Education
Comstock Park Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Comstock Park Public Schools as of and for the year ended June 30, 2008. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles

As stated in our Engagement Letter dated June 1, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

Auditor's Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

An Overview of the Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated June 1, 2008.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Comstock Park Public Schools are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Difficulties Encountered During the Audit

During the course of our audit field work, we encountered difficulties in obtaining financial reports and other data from the District's accounting software system. We also were required to spend additional audit time reviewing and reconciling balance sheet accounts (asset and liability accounts) to insure their correct balances at June 30, 2008.

Disagreements with Management

We encountered no significant disagreements in dealing with management in performing and completing our audit.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the Management's Representation Letter dated October 16, 2008.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by District management.

General Fund

1. \$90,982 to properly allocate property tax collection between General Fund revenue accounts.
2. \$35,579 to write off delinquent 2004 taxes uncollected.
3. \$48,743 to adjust payroll liabilities to their correct balances at June 30, 2008.

Food Service Fund

1. \$39,220 to record USDA entitlement and bonus commodities used during the year.

Athletic Fund

1. \$17,852 to adjust transfers in from the General Fund to the proper account.

Debt Service Funds

1. \$15,673 to write off 2004 delinquent taxes uncollected.

Other Significant, Relevant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the District's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007-08 audit process involving the auditor's review, observation, evaluation and documentation of the District's significant areas of internal controls. Our findings and comments regarding the District's internal control processes and procedures based on these new auditing standards are detailed in Appendix A, attached to this letter.

Current auditing standards (SAS No. 112 "Communicating Internal Control Related Matters Identified in an Audit") also require that auditors communicate, in writing, any significant deficiencies and/or material weaknesses in the design or operation of an entity's internal controls discovered during the audit, which we have done in a separate letter accompanying the audited financial statements.

Other Comments

The District General Fund balance decreased by \$329,068 to \$537,591 at June 30, 2008. This balance represents approximately 2.47 percent of the District's 2008-09 expenditure budget (down from 4.10 percent at June 30, 2007). Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Comstock Park Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Closing

This communication is intended solely for the information and use of the Comstock Park Public Schools Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

Hungerford, Aldine, Nichols & Austin, P.C.

Certified Public Accountants

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
COMSTOCK PARK PUBLIC SCHOOLS
For the Year Ended June 30, 2008

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthrough" the process as it is being performed.

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of Comstock Park Public Schools are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the District's internal controls, based on our observations during the 2007-08 audit process.

GENERAL CONTROLS

- Documentation of the internal control system
- Segregation of duties
- Independent monitoring of accounting functions
 - **Due to the limited number of personnel in the District business office, independent monitoring of the District's many accounting functions is difficult. We recommend that the District consider cross-training and job sharing/swapping within the business office as a means to achieving the monitoring/review procedures required for strong internal controls.**

BUDGETS

- Budget adoptions, amendments for all required funds
 - **The General Fund actual to budget reports (for both revenues and expenditures) must be closely monitored on a regular basis during the year and near year-end to anticipate changes from original expectations and amend function level balances to avoid significant variances between final actual and budgeted results.**
- Budget accounting principles consistent with actual transactions
 - **The Food Service Fund budget should reflect USDA entitlement and bonus commodities used as federal revenues and food expenditures to match actual transactions recorded in the financial statements.**
- Documented authorization for all budget amendments

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
COMSTOCK PARK PUBLIC SCHOOLS
For the Year Ended June 30, 2008

CASH

- Cash collection/receipting procedures
 - **Periodic monitoring of the cash collection/deposit process should be completed by business office personnel in the areas outside of the central office where cash is commonly collected (food service, athletics, student activities, preschool/childcare). Uniform documented procedures should be established to insure the safety of District funds in each of these areas.**
- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

INVESTMENTS

- Investment policy adoption/implementation/monitoring procedures
 - **The District Investment Policy should be reviewed annually by the Assistant Superintendent and the Board of Education (and/or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in District governance (a Board of Education or Finance Committee member) should be responsible for reviewing District investments on a regular basis to insure that the requirements of the Investment Policy are being followed. This process should include a review of FDIC insurance coverage with each financial institution utilized by the District.**
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

REVENUES AND RECEIVABLES

- Budgeting and actual-to-budget monitoring procedures
 - **All balance sheet accounts (for all funds) should be reconciled by District accounting personnel and reviewed by the Assistant Superintendent, on a monthly basis in a timely manner. Reviewing revenues and expenditures compared to the budget is not enough to insure that all transactions are being recorded, and that they are being recorded properly.**
- Property tax collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

EXPENDITURES AND PAYABLES

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
COMSTOCK PARK PUBLIC SCHOOLS
For the Year Ended June 30, 2008

PAYROLL

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

CAPITAL ASSETS

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures
 - **The depreciation lapse schedule should be regularly and accurately updated to reflect current District activities and balances. We recommend that the District purchase a dedicated depreciation software program to facilitate this process, rather than continuing to use Excel worksheets.**

DEBT AND DEBT SERVICE

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

GRANTS AND SIMILAR PROGRAMS

- The District has procedures for identifying federal, state and other awards
- The District has accounting procedures for identifying and recording receipts and expenditures of program funds separately and in the appropriate cost category for each award or grant
- The District has a documented time schedule for filing financial reports with Grantors and policies for identifying special requirements of grants
- District funds are accounted for in separate grant control accounts
- The District has established controls to preclude charging federal award Programs with unallowable costs and expenditures
- The District has responsible individuals who monitor matching requirements, levels of effort, and earmarking limitations to insure District compliance with applicable laws and regulations
- Reconciliations of grant financial reports with supporting accounting records Are prepared, reviewed, and approved by a responsible official before filing
- Financial reports and claims for advances and reimbursements agree with the supporting financial records and general ledger
- A responsible official approves requests for advances or reimbursements.
- The District's calculation of required District funds considers updated estimates of allowable program costs

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
COMSTOCK PARK PUBLIC SCHOOLS
For the Year Ended June 30, 2008

- A responsible member of management reviews costs charged to direct and indirect cost centers in accordance with applicable grant requirements and governmental management circulars pertaining to cost principles
- A responsible member of management uses a set checklist to review and approve the provision of services to ensure that recipients are eligible under specific program requirements
- The District's employee time allocation method is in accordance with the Standards outlined in federal circulars or agency regulations

INFORMATIONAL TECHNOLOGY

- Computer access is limited to specific persons and individuals have access only
 - **The District should consider further strengthening the process of assigning user access rights to ensure that access is being granted based on an employee's job responsibilities. Access should be limited to applications and files that are necessary to perform each individual's daily job duties.**
- Passwords are required to be complex and to be changed at regular intervals
 - **Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of Applications and data files
 - **The District should develop a comprehensive back-up and recovery and data retention plan as part of a documented disaster recovery plan.**
- There is a documented disaster recovery plan and it has been tested
 - **A formal disaster recovery plan should be created and updated on an annual basis to ensure the timely recovery of data and the functionality of the District's information technology assets.**
- The district has well defined policies and procedures in place for which address performing patches and upgrades, user access administration, general backup and recovery operations and timelines for performing regular security and configuration settings reviews.
 - **The district should consider taking additional steps to establish a defined set of standard operating procedures and policies and evaluate their effectiveness throughout the year. Doing so will help to establish a stable and secure IT operating environment that consistently produces reliable data and reduces the risk of fraud or the loss of sensitive data.**

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
COMSTOCK PARK PUBLIC SCHOOLS
For the Year Ended June 30, 2008

STUDENT ACTIVITY ACCOUNTS

- The Student Activity Fund should be used only for “student activities”: those funds which are raised by students, and administered by students and their advisors, to be used for the specific benefit for which the funds are raised. Purchases such as athletic supplies and/or equipment and instructional supplies and/or equipment should be purchased from budgeted Athletic or General Fund expenditure accounts. If specific funds are raised or earmarked for these purchases, those funds should be deposited in the Athletics of General Fund as donations from the funding source. All purchases made from Student Activity accounts should be in accordance with District purchase order and expenditure approval policies, and the payment of payroll/employee benefits through the Student Activity Fund should be discouraged. Activities that do not directly involve students should not exist in the Student Activity Fund, but should be recorded in the District fund that the activity benefits. Each Student Activity account should have a documented use for its receipts and remaining balances, to insure the proper custody and disbursement of the funds on an ongoing basis.

**COMSTOCK PARK
PUBLIC SCHOOLS**
Kent County, Michigan

Auditor's Report On Compliance
For Federal Grant Programs

For the year ended June 30, 2008

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COMSTOCK PARK PUBLIC SCHOOLS

For the year ended June 30, 2008

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Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

October 16, 2008

The Board of Education
Comstock Park Public Schools
Kent County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Comstock Park Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Comstock Park Public School's basic financial statements and have issued our report thereon dated October 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Comstock Park Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Comstock Park Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Comstock Park Public School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of an entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of Findings and Questioned Costs, Items 2008-1 and 2008-2, to be significant deficiencies in internal control over financial reporting.

The Board of Education
Comstock Park Public Schools
October 16, 2008

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Comstock Park Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to the management of Comstock Park Public Schools in a separate letter dated October 16, 2008.

Comstock Park Public School's response to the findings identified in our audit is described in the accompanying schedule of finding and questioned costs. We did not audit Comstock Park Public School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Austin, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

October 16, 2008

The Board of Education
Comstock Park Public Schools
Kent County, Michigan

Compliance

We have audited the compliance of Comstock Park Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Comstock Park Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Comstock Park Public School's management. Our responsibility is to express an opinion on Comstock Park Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Comstock Park Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Comstock Park Public School's compliance with those requirements.

In our opinion, Comstock Park Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

The Board of Education
Comstock Park Public Schools
October 16, 2008

Internal Control Over Compliance

The management of Comstock Park Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Comstock Park Public School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Comstock Park Public School's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Comstock Park Public Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 16, 2008. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise Comstock Park Public School's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

COMSTOCK PARK PUBLIC SCHOOLS

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title I:	84.010	
071530 0607		\$ 243,458
081530 0708		307,058
		<hr/>
Total Title I		550,516
		<hr/>
Title IIA:	84.367	
070520 0607		65,349
080520 0708		67,994
		<hr/>
Total Title IIA		133,343
		<hr/>
Title IID:	84.318	
074290 0607		2,484
084290 0708		2,802
		<hr/>
Total Title IID		5,286
		<hr/>
Title III:	84.365A	
080580 0708		16,671
		<hr/>
Title V:	84.298	
070250 0607		493
080250 0708		506
		<hr/>
Total Title V		999
		<hr/>
Total Passed Through MDE		706,815
		<hr/>
Passed through Kent Intermediate School District (KISD):		
Safe and Drug Free Schools and Communities Act:	84.186A	
08286 0708		6,071
		<hr/>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ 33,120 —	\$ 234,506 —	\$ — 300,988	\$ 33,120 288,956	\$ — 12,032
33,120	234,506	300,988	322,076	12,032
4,971 —	65,349 —	— 50,193	4,971 50,193	— —
4,971	65,349	50,193	55,164	—
2,484 —	2,484 —	— 2,802	2,484 2,802	— —
2,484	2,484	2,802	5,286	—
—	—	16,671	16,671	—
493 —	493 —	— 506	493 506	— —
493	493	506	999	—
41,068	302,832	371,160	400,196	12,032
—	—	6,071	6,071	—

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**COMSTOCK PARK PUBLIC SCHOOLS**

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
Special Education Cluster:		
I.D.E.A. - Flow Through:	84.027	
Flow Through – 070450 0607		\$ 461,243
Flow Through – 080450 0708		500,547
		<hr/>
Total I.D.E.A. – Flow Through		961,790
		<hr/>
I.D.E.A. – Preschool:	84.173	
Preschool – 070460 0607		19,874
Preschool – 080460 0708		25,124
		<hr/>
Total I.D.E.A. – Preschool		44,998
		<hr/>
Total Special Education Cluster		1,006,788
		<hr/>
Total Passed Through KISD		1,012,859
		<hr/>
Total U.S. Department of Education		1,719,674
		<hr/>
U.S. Department of Health and Human Services		
Passed through Kent Intermediate School District (KISD):		
School Based Medicaid:	93.778	
0607 Program		2,139
0708 Program		4,162
		<hr/>
Total U.S. Department of Health and Human Services		6,301
		<hr/>
U.S. Department of Agriculture		
Passed through Michigan Department of Education (MDE):		
Nutrition Cluster:		
Lunches:		
Section 4 – Total Servings – 1950	10.555	48,220
Section 11 – Free and Reduced – 1960		230,524
		<hr/>
Total Lunches		278,744
		<hr/>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ 147,297 —	\$ 461,243 —	\$ — 500,547	\$ 147,297 500,547	\$ — —
147,297	461,243	500,547	647,844	—
6,373 —	19,874 —	— 25,124	6,373 25,124	— —
6,373	19,874	25,124	31,497	—
153,670	481,117	525,671	679,341	—
153,670	481,117	531,742	685,412	—
194,738	783,949	902,902	1,085,608	12,032
2,139 —	2,139 —	— 4,162	2,139 —	— 4,162
2,139	2,139	4,162	2,139	4,162
— —	— —	48,220 230,524	48,220 230,524	— —
—	—	278,744	278,744	—

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**COMSTOCK PARK PUBLIC SCHOOLS**

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
Breakfast:		
Total Servings – 1970	10.553	\$ 2,352
Free and Reduced – 1970		<u>71,916</u>
Total Breakfast		<u>74,268</u>
Special Milk – 1940	10.556	<u>8,850</u>
Total Nutrition Cluster		<u>361,862</u>
U.S.D.A. Commodities:		
Bonus Commodities	10.550	79
Entitlement Commodities		<u>39,137</u>
Total U.S.D.A. Commodities		<u>39,216</u>
Total U.S. Department of Agriculture (Passed Through MDE)		<u>401,078</u>
Total Federal Financial Assistance		<u><u>\$ 2,127,053</u></u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ —	\$ —	\$ 2,352	\$ 2,352	\$ —
—	—	71,916	71,916	—
—	—	74,268	74,268	—
—	—	8,850	8,850	—
—	—	361,862	361,862	—
—	—	79	79	—
—	—	39,137	39,137	—
—	—	39,216	39,216	—
—	—	401,078	401,078	—
\$ 196,877	\$ 786,088	\$ 1,308,142	\$ 1,488,825	\$ 16,194

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMSTOCK PARK PUBLIC SCHOOLS

For the year ended June 30, 2008

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 Yes X No

Identification of major programs audited:

Special Education Cluster:

84.027 I.D.E.A. Flow Through

84.173 I.D.E.A. Preschool

84.010 Title I

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

 Yes X No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

COMSTOCK PARK PUBLIC SCHOOLS

For the year ended June 30, 2008

Section II – Financial Statement Findings

Current Year Findings

Significant deficiencies (Items 2008-1, 2008-2) in internal control over financial reporting:

- 2008-1 Inadequate segregation of duties in the District business office, which leads to a lack of independent monitoring of the accounting functions of the District Business Manager.

The District has hired an additional staff person in the business office and the duties are being reassigned to enable staff to adequately monitor the accounting functions of the other members of the business office. This finding is a repeat from the prior year finding 2007-2.

- 2008-2 Inadequate design and implementation of monitoring controls both inside (general ledger and payroll) and outside (athletics, food service, student activities, preschool) the District business office.

The District has not addressed the monitoring of controls both inside (general ledger and payroll) and outside (athletics, food service, student activities, preschool) the District business office. This finding is a repeat from the prior year finding 2007-3.

Prior Year Findings

Significant deficiencies (Items 2007-1, 2007-2, 2007-3) in internal control over financial reporting:

- 2007-1 Inadequate documentation of the components of internal control.

Corrective action taken and finding has been cleared.

- 2007-2 Inadequate segregation of duties in the District business office, which leads to a lack of independent monitoring of the accounting functions of the District Business Manager.

The District has hired an additional staff person in the business office and the duties are being reassigned to enable staff to adequately monitor the accounting functions of the other members of the staff. This finding is repeated in the current year as 2008-1.

- 2007-3 Inadequate design of monitoring controls both inside (payroll) and outside (athletics, food service, student activities, preschool) the District business office.

The District has not addressed the monitoring of controls for outside (athletics, food service, student activities, preschool) the business office. The payroll function has been outsourced to the Kent Intermediate School District. This finding is repeated in the current year as 2008-2.

Significant deficiency (Item 2007-4) in internal control over financial reporting considered to be a material weakness:

District officials or employees who lack the knowledge and training to fulfill certain responsibilities:

- 2007-4 The lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) reporting standards in recording the District's financial transactions or preparing its financial statements (including Management's Discussion and Analysis and Notes to Basic Financial Statements) in compliance with current GAAP and GASB requirements.

Corrective action taken and finding has been cleared.

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

COMSTOCK PARK PUBLIC SCHOOLS

For the year ended June 30, 2008

Note A – The Schedule of Expenditures of Federal Awards (SEFA) was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.

Note B – The amounts reported on the R7120 and CMS, Grant Section Auditors Report, reconcile with the SEFA.

Note C – This amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with the SEFA for USDA donated food commodities.

Note D – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Title I	\$ 300,988	\$ 300,988	\$ —
Title IIA	50,193	50,193	—
Title IID	2,802	2,802	—
Title III	16,671	16,671	—
Title V	506	506	—
Safe and Drug Free Schools and Communities Act	6,071	6,071	—
Special Education Cluster	525,671	525,671	—
School Based Medicaid	4,162	4,162	—
Nutrition Cluster	361,862	361,862	—
Commodities	39,216	39,216	—
	\$ 1,308,142	\$ 1,308,142	\$ —